

Message Text

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ACTION EB-07

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AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

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ROME FOR RCAA, BRUSSELS FOR FAA

DEPARTMENT PASS COMMERCE FOR COHEN, HALE, MYERS;

FAA FOR CARY AND CARMICHAEL; EXIMBANK

E.O. 11652: N/A
TAGS: EAIR
SUBJECT: KUWAIT AIRWAYS FLEET AND ROUTE EXPANSION

REF: (A) KUWAIT 645, (B) KUWAIT 5518 (76), (C) KUWAIT 1393

1. RCAA DWOR AND AMBASSY ECON OFFICER MICHAUD VISITED
KUWAIT AIRWAYS (KAC) HEADQUARTERS APRIL 28, CALLING ON
DIRECTOR PLANNING YOUSEF AL JASSEM; ECONOMIC RESEARCH
CONTROLLER T. R.P. NAIR, AND CHIEF ENGINEER A.J. DADY.
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FOLLOWING AIRLINE DEVELOPMENTS EMERGED.

2. CONTRACTUAL NEGOTIATIONS FOR WIDE BODIED AIRCRAFT:
KAC, ACCORDING AL JASSEM, ACCEPTED LETTER PROPOSAL APRIL 5
FROM THE BOEING COMPANY COVERING TWO 747-269B COMBIS
(SIDE MAINDECK CARGO DOORS) VALUED AT ESTIMATED \$100
MILLION (INCLUDING SPARES) FOR DELIVERY MAY AND JUNE

1978. BOTH AIRCRAFT WILL BE CONFIGURED IN ALL-PASSENGER CONFIGURATION OF 26 FIRST CLASS AND 324 ECONOMY SEATS (OR ALTERNATIVELY MORE SPACIOUS 26 FIRST CLASS AND 259 ECONOMY SEATS). INITIALLY THE AIRCRAFT WILL NOT BE EQUIPPED WITH ON-BOARD POWERED CARGO-LOADING EQUIPMENT. A THIRD 747-269B COMBI IS AN OPTION FOR DELIVERY SPRING 1979. HOWEVER, THERE IS AT LEAST SLIGHT POSSIBILITY THIRD AIRCRAFT MAY BE ORDERED PRESENTLY FOR DELIVERY DECEMBER 1978 AT 1978 RATHER THAN ESCALATED 1979 PRICES). ACCORDING AL JASSEM, AIRLINE PAID BOEING REFUNDABLE DEPOSIT (\$200,000) UPON ACCEPTANCE LETTER PROPOSAL WHICH CAN BE TERMINATED BY EITHER AIRLINE OR AIRCRAFT MANUFACTURER WITH NO PENALTY TO EITHER PARTY.

2. PREREQUISITE TO FINAL CONTRACT SIGNATURE BY AIRLINE: DELAY IN SIGNING DEFINITIVE SALES CONTRACT IS AIRLINE'S UNCERTAINTY AS TO WHICH ENGINES WILL BE SELECTED TO POWER 747-269B COMBIS. KUWAIT AIRWAYS HAS BEEN EVALUATING COMPETING OFFERS FROM PRATT & WHITNEY COVERING JT9D-7F AND JT9D-7J, GENERAL ELECTRIC COVERING CF6-50E AND ROLLS-ROYCE COVERING RB-211-524B. ACCORDING TO AL JASSEM, ENGINE-SELECTION PROCESS NARROWED TO JT9D-7F (48,000 LBS THRUST DRY), JT9D-7J (50,000 LBS THRUST DRY) AND CF6-50E (52,500 LBS THRUST DRY). AL JASSEM BELIEVES ENGINE SELECTION WILL BE DECIDED WITHIN NEXT WEEK OR TWO, WITH AIRLINE SIGNATURE DEFINITE ON SALES CONTRACT WITH BOEING (AND SELECTED ENGINE MANUFACTURER) ON APPROXIMATELY MAY 15.

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3. FLEET PLAN: AL JASSEM INDICATES THAT BEYOND THREE 747-269B COMBIS IN SERVICE 1979, A FOURTH WILL BE ADDED IN 1981 AND POSSIBLE FIFTH IN 1982. TOTAL ESTIMATED VALUE FIVE 747-269B COMBIS APPROXIMATES \$250 MILLION. FURTHER, DUE TO NOISE AND EMISSION CONSTRAINTS ANTICIPATED OVER NEXT FIVE YEARS, AL JASSEM BELIEVES AIRLINE WILL REQUIRE STATE-OF-ART REPLACEMENTS FOR 707-3696/707-321C FLEET (I.E. BOEING 7X7 MCDONNELL DOUGLAS DCX-200, BOEING 707-500).

4. ROUTE EXPANSION: COMMENCING APRIL 1977, AIRLINE EXPANDED SCHEDULE ROUTE NETWORK TO INCLUDE MADRID, NICOSIA AND AMSTERDAM. FURTHER, AIRLINE HAS REVIVED PLANS TO IMPLEMENT ROUTE TO FAR EAST WITH INAUGURATION TWICE-WEEKLY ROUNDTrip 747-269B COMBI SCHEDULED SERVICES KUWAIT-BOMBAY-BANGKOK-MANILA-TOKYO TENTATIVELY TARGETED FOR APRIL 1, 1979. AL JASSEM IS PESSIMISTIC REGARDING PROSPECTS OF GOK REMOVING BAN ON SERVING LIQUOR

ON BOARD AIRCRAFT (REFTEL B, PARA 6) AND BELIEVES THIS TRAFFIC INHIBITING FACT-OF-LIFE SHOULD NO LONGER DELAY AIRLINE'S EXPANSION PLANS. RCAA NOTES TWICE-WEEKLY KUWAIT-FAR EAST SCHEDULED SERVICE WILL, IN ITSELF, REPRESENT TOTAL DEPLOYMENT OF ONE 747-269B COMBI.

5. AIRCRAFT LEASING: AIRLINE HAS WET-LEASED TWO BOEING 707-320'S FROM BRITISH MIDLAND AIRWAYS UNTIL DEC 31, 1977 TO SUPPLEMENT SEVEN AIRCRAFT 707-369C/707-321C FLEET. ADDITIONALLY, KAC IS HOPING TO WET-LEASE THIRD 707 EFFECT-TIVE JUNE 1, 1977--DEC 31, 1977. NO WIDE BODIED AIRCRAFT WILL BE LEASED DURING 1977, CONTRARY TO PREVIOUS PLANS (REFTEL B, PARA 4).

6. FLEET MODIFICATION: AIRLINE'S FIVE 152-SEAT BOEING 707-369C AIRCRAFT (NOT INCLUDING TWO EX-PAN AM 707-321C'S) WILL UNDERGO WIDE BODIED-LOOK CABIN INTERIOR MODIFICATIONS LIMITED OFFICIAL USE

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(ENCLOSED OVERHEAD STOWAGE-BINS, FLAT WALLS, SCULPTURED CEILINGS, INDIRECT LIGHTING) AT BOEING-WICHITA COMMENCING OCTOBER (AT TWO-WEEK INTERVALS EACH AIRCRAFT), WITH COMPLETION MARCH 1977.

7. FINANCIAL RESULTS: REAUDITED AIRLINE NET PROFIT YEAR ENDED DEC 31, 1976 APPROXIMATES \$21 MILLION U.S., UP SLIGHTLY FROM PREVIOUS YEAR'S \$197.876 MILLION. PROSPECTS FOR 1977 POINT TO PROFIT NARROWING DUE AIRCRAFT LEASING COSTS AND WIDE BODIED AIRCRAFT PRE-INTRODUCTORY EXPENSES. MAESTRONE

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